

The Licensing Examination for Securities and Futures Intermediaries

Paper 8 Securities

Syllabus

(Effective from 1 December 2016)

Topic 1: Overview of securities investments

- 1 Historical background
 - Equity market
 - Debt market
 - Derivatives market
- 2 The Stock Exchange of Hong Kong Limited
 - Major features
 - Market sectors
 - Stock exchanges in mainland China
- 3 The global securities market
 - The US market
 - European markets
 - Asian markets
- 4 Key factors affecting the securities markets
 - Interest rates
 - Interest rates of other countries
 - Exchange rates
 - Inflation
 - Economic cycles
 - Political factors
- 5 Market indices
 - Hang Seng Index
 - Hang Seng family of indexes
 - S&P/HKEX LargeCap Index and GEM Index
 - International indices

Topic 2: The Stock Exchange of Hong Kong: primary and secondary markets

- 1 Primary market
 - What is the primary market?

- Why do companies go public (listed)?
- Advantages and disadvantages of listing
- Types of equity markets in Hong Kong
- Initial public offering
- Listing rules
- Types of listing methods
- Role of advisers and professionals
- HKEX hearing
- Road show
- Prospectus conventions
- Prospectus preparation
- eIPO

2 Secondary market

- What is the secondary market?
- Trading system
- Corporate actions and raising additional funds
- Clearing and settlement system

3 Market surveillance and its effect on participant behaviour

4 Reporting to investors and the market – keeping the market informed

5 Exchange Participants

Topic 3: Participants in the markets

1 Brokers

- Role and duties
- Licensing
- Responsibilities

2 Traders

3 Research analysts

4 Institutional investors

5 Retail and high net worth investors

6 Arbitrageurs

7 Financial advisers

8 Credit rating agencies

9 Custodians

10	Share registrars		
11	Hong Kong Exchanges and Clearing Limited and its subsidiaries		
	<ul style="list-style-type: none"> • Hong Kong Exchanges and Clearing Limited • The Stock Exchange of Hong Kong Limited • Hong Kong Futures Exchange Limited • Hong Kong Securities Clearing Company Limited • The SEHK Options Clearing House Limited • OTC Clearing Hong Kong Limited 		<ul style="list-style-type: none"> • Commercial paper • Certificates of deposit • Exchange Fund Bills • Repurchase agreements • Pricing of discounted securities
12	Regulatory bodies		
	<ul style="list-style-type: none"> • Hong Kong Monetary Authority • Securities and Futures Commission 		
Topic 4: Types of securities			
1	Equity securities		
	<ul style="list-style-type: none"> • Ordinary shares • Preference shares • Bonus shares • Rights shares • Stock options • Warrants • Stapled securities 		
2	Margin financing		
	<ul style="list-style-type: none"> • Benefits and risks of margin financing 		
3	Stock borrowing and lending		
4	Unit trusts and mutual funds		
5	Pilot programme securities		
6	Exchange-traded funds		
	<ul style="list-style-type: none"> • Leveraged and Inverse Products 		
7	Real estate investment trusts		
8	Depository/Depository receipts		
9	Short-term debt instruments		
	<ul style="list-style-type: none"> • Interbank lending market • Banker's acceptance 		
		10	Long-term debt securities
			<ul style="list-style-type: none"> • Types of bonds • Bond pricing
		11	Risk management for debt securities
			<ul style="list-style-type: none"> • Duration • Convexity
		12	Derivatives
			<ul style="list-style-type: none"> • Futures • Forwards • Options • Swaps • Structured products
		13	Further discussion on stock options
			<ul style="list-style-type: none"> • Factors affecting option prices • Risk parameters • Basic option trading strategies • Option pricing
Topic 5: Stock market administration			
		1	Trading system in Hong Kong
			<ul style="list-style-type: none"> • Automatic Order Matching and Execution System • Trading procedures for the cash market • Trading mechanism for derivatives
		2	Clearing and settlement system in Hong Kong
			<ul style="list-style-type: none"> • Clearing • Settlement
		3	Transaction costs in stock trading
			<ul style="list-style-type: none"> • Brokerage house • The Stock Exchange of Hong Kong Limited • The government
		4	Trading records management
			<ul style="list-style-type: none"> • Internal control procedures and

- code of conduct
- Internal audit
- 5 Conduct of business
- 6 Risk management
- 7 Technology
 - Internet securities trading
 - On-line financial information
 - Impact of technology

Topic 6: Securities analysis

- 1 Fundamental analysis and technical analysis
- 2 Fundamental analysis
 - Top-down analysis and bottom-up analysis
 - Industry analysis and competitive analysis
 - Ratio analysis of a specific company
 - Valuation of equity securities
- 3 Technical analysis
 - Historical data
 - Charts and trend lines
 - Technical indicators
 - Common technical analysis methods
